

TESTIMONY OF CENTURYTEL IN OPPOSITION TO SB 189

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CenturyTel provides state of the art telecommunications services to more than 50,000 customers in Flathead and Lake Counties. CenturyTel has more than 160 employees in Northwest Montana and spends more than \$20,000,000 annually on wages, benefits and capital expenditures.

Two years ago the Montana Legislature rejected a bill that would have forced automatic rate case filings on CenturyTel. At that time CenturyTel appeared and testified that mandatory periodic rate cases were not necessary because CenturyTel's rates and earnings were already constrained by market forces and competition.

In the intervening two years, those competitive forces have become even stronger. Wireless carriers now serve more lines than do wireline carriers like CenturyTel. Voice over IP providers like Vonage now offer service in the Flathead Valley. Most recently the cable company Bresnan has rolled out its telephone service offering in CenturyTel's service area.

Bresnan, Vonage and the wireless carriers are all well-financed carriers who aggressively advertise and market their competitive offerings. As a result of these competitive offerings, CenturyTel has continued to see a decrease in its customer base over the past two years. When it comes to telephone service, CenturyTel is hardly a monopoly in the Flathead Valley. In fact CenturyTel likely provides service to less than half of the telephone numbers in that area.

Given these very real market forces, CenturyTel is in no position to charge unreasonable rates or to try to extract unreasonable returns on its investment. The days requiring regular periodic rate cases before the Montana PSC for CenturyTel are long gone. If, in the unlikely event the Commission should feel a rate case is required for CenturyTel, it already has the full authority and power to conduct such a case under existing statutes (69-3-324, MCA). However one would expect such a case to be rare and hardly regular or periodic.

Mandated periodic rate cases for CenturyTel, arising for no reason other than the passage of a period of time would be arbitrary and anticompetitive. Such full blown rate cases are notoriously expensive and resource draining. CenturyTel would have to divert valuable resources away from responding to competitive offerings to the non-productive rate case activity. The recovery of rate case costs would put upward pressure on CenturyTel's retail rates when CenturyTel cannot afford to raise those rates in the face of competitive offerings.

This increased burden would put CenturyTel at a competitive disadvantage. Bresnan does not have to divert time, resources and expenses to rate cases. Vonage does not have to have rate cases. Nor do the wireless carriers. The current regulatory system already puts CenturyTel at a competitive disadvantage. Forcing additional regulatory activity in the form of a mandatory periodic rate case just because the calendar says it is time to do one would only add insult to injury.

Mandatory periodic rate cases for only a single provider when there are multiple providers in the telecommunications market was a bad idea two years ago. It is an even worse idea now.

We ask that the committee reject SB 189 and allow the existing statutes to address the ever diminishing need for telecommunications rate cases.